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Was the Development of Korea and the `Gang of Four' Unique?

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I. Introduction

The now voluminous literature on South Korea's remarkable trajectory of growth [1] has been mainly pre-occupied with identifying the domestic factors which account for development. This allows us to compare the pattern of growth with the other three `Little Tigers' in east and south east Asia (Taiwan, Hong Kong and Singapore) or with Less Developed Countries (LDCs) in general. The differences between the four are now well recognised: State direction in three; foreign capital domination in one (Singapore); free trade in two (Hong Kong and Singapore); dependence on small private enterprise in two (Taiwan, Hong Kong); agricultural procurements in one (Korea) and so on. They do not tell us a great deal about growth other than that several formulae are consistent with export-led industrialisation. Nor is there reason to believe that the common features of the four by any means exhaust the possibilities. Indeed, the pioneers make it easier for those following to separate the necessary from the extraneous features.

Starting the Korean growth process was also slightly accidental, and its management less clear in direction than subsequent rationalisation often implies. The Korean State, as Bhagwati and Kreuger put it, "intervened as much and as `chaotically' on the side of export promotion as others have done on the side of import substitution". The indisputable successes in achieving such a swift transition cannot therefore be attributed to "the presence of a neo-classical efficiency allocation mechanism" [2]. In the heavy industrial and chemical programme of the seventies, this is clear, for the Korean State selected and created comparative advantages. Despite the heavy losses and reduction in shipbuilding and heavy machinery manufacture, nonetheless by 1986, 56 per cent of Korea's exports consisted of heavy and chemical industry products. Now Korea, like the other three of the `Four', is approaching early maturity marked by labour shortages [3] and capital exports [4].

If the discussion of the causes for Korean development is restricted to domestic factors, the account has a misleadingly timeless quality (fully appropriate, of course, to economic theory): as if export-induced growth were always and everywhere equally possible, provided the government gets `right' its policy stance and prices. This is certainly the message of many of the historians of Korea's growth; for example, I.M.D. Little observes of the `Four' that "the success is almost entirely due to good policies and the ability of the people - scarcely at all to favourable circumstances or a good start" [5]. Such views give great comfort and moral support to the governments and economists concerned.

Too often, however, the Left has restricted the reply to disputing the enumeration or weighting of domestic factors - to indicate (rightly), for the two larger economies, the predominant role of the state in fixing domestic markets and external prices, particularly in ensuring the underpricing of labour (so that, far from approaching optimal allocation, the Korean labour force possibly subsidised the consumption of the rest of the world). The most that is acknowledged is that the two larger states were clients of the United States and, for some, this is the key force in growth (even though other United States clients have not had the same growth experience). However, this approach tends to repeat the timeless character of the original thesis, and also take for granted the primacy of the national framework - and governmental relations - in explaining growth. Perversely, this nullifies one of the strengths of dependency[6] and world systems theory, its emphasis upon the external context of world capitalism.

The Prince missing from these versions of *"Hamlet"* is the changing structure, scale and composition of world demand. This is the other half of an explanation. It indicates why this pattern of growth - led by manufactured exports - did not occur before a particular historical moment. When that moment arrived, it became possible for the first time to mobilise in the service of world capital at least part of the vast mass of cheap labour in the Less Developed Countries, and thereby change the capital-labour ratio with important implications for the future of capitalism and the development of technology. Thus, if this argument is correct, the significance of Korean development is far greater than the fate of that particular country, for it marks a turning point in the system as a whole, and one which will take a very long time to work itself out. The turning point could not have been easily anticipated, and it is this factor which gives much greater sense to import substitution strategies of industrialisation in the fifties than appears to many observers today.

The exploration of this theme in this paper provides us with an entry point to considering broader issues of the type of world capitalism emerging and the prospects for economic development.

II. A World Process

The changes taking place between the nineteen fifties and nineteen eighties in South Korea were not at all restricted either to that country or the three other `Little Tigers'. Concentrating on the one case or the four obscures the fact that these were only the most extreme versions of a much wider process, affecting the majority of LDCs to a greater or lesser extent: whether or not the governments concerned consciously tried to exploit the process or not. Indeed, the precipitation of rapid growth in the sixties seems to some extent much cruder and simpler in purely economic terms than is often assumed - where the structure of current output and pricing (including the exchange rate) were appropriate, then it became possible to enter the learning process that, with luck and persistence, produced the quality and flexibility required to exploit a particular niche in the world demand for manufactured goods. Of course, few countries were socially and politically equipped to undertake the initial process: and it is here that some of the main obstacles to development occur. Furthermore, there were a host of failures. In addition, noting the beginnings of the process is to say nothing about the very different conditions of the eighties (which will be discussed later), nor about the desirability of the process and the scale of hardships involved in economic growth.

In an earlier analysis of the 27 LDCs exporting goods worth $1 billion or more in 1980[7] - countries including some 54 per cent of the population of the world - it could be seen that virtually all had experienced rates of growth of exports well ahead of the rate of increase of world trade. Furthermore, for all 27 countries, the increase in manufactured exports was much faster than the increase in exports as a whole. To the `Four Little Tigers', we should add some other high performers - Israel (where manufactured exports increased from 62 per cent in 1960 to 82 per cent in 1980), Yugoslavia (from 38 to 73 per cent), and Portugal (54 to 72 per cent). Finally, in all cases, the skill intensity of manufactured exports increased if we take as a surrogate of this, exports of machinery and transport equipment (which on average increased from 2 to 10 per cent). For the nine leading countries, this category increased from 4 to 23 per cent. This was the picture in 1980 when South Korea's exports were put at $19 billion, whereas now they are said to be approaching $70 billion. In sum, up to 1980, what happened to Korea and the `Four' was only an extreme version of what has been happening to most exporting LDCs.

There are important qualifications. First is the great inequality in participation between countries. Second, the relative role of exports varies in part with the size of country (a large country is able to internalise the manufacture of a greater proportion of the goods it requires); the smaller a country, the more dramatic the rates of increase and changes in composition of exports. Third, the size of the manufactured exports of the 27 countries are still far below that of the More Developed Countries (MDCs) - even combining the 27, their total manufactured exports in 1980 were equal to 91 per cent of those of the United States or 10 per cent larger than Japan's. Furthermore, the total exports of the 27 in machinery and transport equipment were equal to 38 per cent of the United States or West Germany, 47 per cent of Japan, 82 per cent of Britain. The leading LDC in this respect, Singapore, exported in 1980 only just over one third as much as Belgium (but this was approaching two thirds by 1986).

If we expand the picture to include all LDCs (and include the first four years of the eighties), we can see the relative growth rates by different regions in the following table:

Annual rates of growth, real manufactured exports.

	1967-73	1974-79	1980-84
Low income Africa	5.5	15.0	-12.7
Latin America & Caribbean	17.1	10.2	9.7
Europe, Mid E, N. Africa	9.0	5.2	12.6
Middle Income	15.1	12.8	10.1
All LDCs	12.4	11.3	11.2

The categories of trade conceal important changes of content. For example, the limits on garment imports to the MDCs under the Multi Fibre Arrangement has forced exporters to increase the value of the same quantity of goods (or relocate production in a country which has not yet filled its quota). This makes room for newcomers to export low-valued garments. Even so, the leading countries have tried to hang on to their garment exports for as long as possible. In the case of South Korea and Taiwan, it has taken the sharp appreciation in their currencies to reduce garment exports. Taiwan's currency has appreciated by 40 per cent in three years, and at last textile and garment exports fell by ten per cent in 1988 (toys and sportswear, -8.2%; footwear -7.9%).

Newcomers have been able to take over the markets of the Four, as the Four originally took over Japan's markets. The newcomers include China, Indonesia, Malaysia, Thailand, Sri Lanka and most recently, Mauritius (where a quarter of the capital involved is officially reported to be from Hong Kong).

Table 1 at the end brings the story up to 1986 in order to see how far more recent events in the world economy have affected these trends. The Table covers two groups of countries this time, 39 in all - the 18 with the poorest record in terms of growth of gross domestic product in the eighties, and the 21 which experienced a GDP rate of growth of 4 per cent or more (listed according to per capita income). The 18 countries with negative rates of growth included eight countries of Sub Saharan Africa, four from Central America and the Caribbean, five from Latin America and one from Asia. Eleven of the 18 had negative rates of growth of exports. However, of the 17 where the information is available, 13 had experienced long-term growth (1965-86) in the share of manufactured goods in exports, some of them remarkably so (for example, Haiti, the Philippines, Uruguay, Trinidad and Tobago). Twelve of the 18 countries had increased the share of machinery and transport equipment. Countries with negative growth rates of GDP are not necessarily the worst off (for that, the list would have had to include Ethiopia and Sudan which just missed inclusion by having positive growth rates - 0.8 and 0.3 per cent respectively), but it is still remarkable that the same changes in structure of exports can be seen here: despite the grave severity of the crisis afflicting these countries.

The 21 fast growers include some of the largest countries - China, India, Pakistan - in the Low Income group. There are five from Sub Saharan Africa, ten from Asia, and six from the Middle East and North Africa. Only two countries had a negative rate of growth of exports. Some countries had particularly high rates of export growth - China, Thailand, Cameroon, Turkey, Mauritius, Malaysia, South Korea, Hong Kong. Of the 20 countries for which the data was available, 14 showed a marked shift to manufactured exports, and twelve to an increase in exports of machinery and transport equipment.

In sum, then, despite the poor rate of growth of world trade in the eighties and the growth of protectionism in the MDCs, the rates of growth of a significant number of LDCs continued to be high. The most important cases here are the striking improvement for China, and, to a much lesser extent, India, together raising the rate of growth of GDP for the Low Income group from 4.8 (1965-80) to 7.5 (1980-86). The period covers a sharp contraction in the world system - with rising oil prices, for a time an appreciating dollar, high international interest rates (both affecting cumulative debts) and a collapse of raw material export prices.

Thus, there has been real growth. Nor is this simply in shares of trade. There has been significant growth in the productive forces - as can be seen in Table 2 for the selection of countries with the highest rates of growth of manufacturing. The fragility of this, however, is indicated in the much less consistent performance in investment. The figures show a growth in the potential for improving the conditions of people, not necessarily an improvement in conditions. As a salutary reminder of the contradictory nature of growth, Table 3 lists all the countries which experienced a decline in per capita food production in the eighties (including, of the 97 larger LDCs, 22 of the 39 Low Income LDCs; 16 of the 33 Lower Middle Income; and 9 of the 23 Upper Middle Income Countries). In Zambia, a 1987 UNICEF study at Lusaka University hospital shows that, of the 433 children admitted there in a one-week period, 60 per cent of the more than one hundred who died were suffering from malnutrition. Thus, the growth of capital and the growth of consumption need not go together at all.

Slow growth in the world system conceals a considerable heterogeneity, but it does not rule out changing shares of world trade and production. The greater the disaggregation of the figures - by country, region or locality on the one hand, by sector, subsector and individual commodity on the other - the greater the divergence from the aggregate performance. Textiles and garments as a general category had long stagnated in the fifties when the `Four Little Tigers' turned the manufacture of garments into the means to high growth - while MDC consumption increased by 3 per cent, LDC exports increased by 20 per cent per year. Indeed, in conditions of stagnating markets, the search for lower costs of production can lead to the swifter relocation of capacity than would otherwise be the case - and so increasing shares of the trade in the hands of newcomers.

The eighties have had many examples of this. The largest one is China, with a rate of increase in textile and garment exports of 10 per cent per year since 1979, increasing the country's share of US imports of this kind from 1 to 8 per cent (1978-82). Pakistan has now begun to expand in this field. Malaysia is already well known as a second-rank Newly Industrialising Country, raising its rate of growth from 4.4 per cent annually (1965-80) to 10.2 per cent in the eighties. Thailand increased similarly from 8.5 to 9.2 per cent; in 1986 and 1987, Thai manufactured exports increased by 40 per cent per year (with garments and textiles up 8l per cent, footwear 73 per cent and leather goods 208 per cent). Even India is currently expanding manufacturing output by close to 10 per cent annually. The examples are not restricted to Asia. As mentioned earlier, the small economy of Mauritius entered a fast growth phase in the eighties - led by manufacturing (mainly textiles and garments) and exports; annual export growth rose from 3.4 (1965-80) to 10.4 per cent (1980-86); between 1984 and 1987, real GDP rose by 25 per cent and per capita income doubled (in current prices), the real standard of living improving by a third.

The rates of growth of the export of particular categories of commodities have continued to be high in the eighties. Thus, the annual growth in the exports of office and telecommunication equipment between 1980 and 1987 reached 15 per cent; for garments, 10.5 per cent; motor vehicles 9 per cent; household appliances, 8.5 per cent; machinery and transport equipment 6 per cent; chemicals, 6 per cent. In 1987, the star performer was the export of garments, rising by 30 per cent in that year[8].

There are, of course, no guarantees that spurts of growth will be sustained in particular countries. We have the striking example of Colombia which increased its manufactured exports between 1968 and 1974 at the same pace as Taiwan, but then suddenly fell back to slow growth[9]. But the issue is not now whether this country or that expands, but laying out the evidence for a change in the structure of world demand, a change that has persisted into an era of slow world growth and one where certain sets of notorious problems in LDCs - famine and debt in Sub Saharan Africa, debt in Latin America - might lead one to underestimate the heterogeneity of performance. Growth continues in a significant number of LDCs, and growth that is also structural development based upon rising productivity.

III. `Trickle-Down'

In terms of the history of capitalism, perhaps nothing implied so far about the redistribution of world economic activity would be surprising. With all the notorious unevenness and cyclical character of the system, up to the First World War, there were simultaneously strong tendencies to develop economically new areas. The spread of development from Western Europe to North America and Central Europe, to Southern Europe and selected areas elsewhere illustrates this effect. With the `natural' comparative advantage of high transport costs - and, as Gunder Frank has pointed out, the suspension of European manufactured exports in time of world war - manufacturing developed in a number of economically backward areas. Employment in Brazilian textiles - with the additional protection of tariffs and an exchange rate free of the gold standard - increased from 2,000 in 1895 to 26,400 in 1905 and 53,000 in 1907. By the 1920s, Brazil met 64 per cent of its domestic manufacturing supply (and over 90 per cent in traditional manufacturing); much of the machinery employed in the coffee industry was locally made [10]. In India, the factory textile industry grew rapidly up to the 1920s when the country was estimated to possess the third largest textile industry in the world; by the twenties, the textile labour force was big enough to be politically significant. The same is true in China which still commemorates the first great general strike following the May 30th Movement. China had, from a low base point, very high rates of growth of manufacturing output in the inter-war years, exaggerated by the development of Japanese heavy industry in Manchuria [11]. These beginnings in many countries (but not all) may initially have been restricted to light industry in the main, may have inflicted upon the workforce conditions of appalling severity, but they did represent a spread of manufacturing capacity even in the years of stagnation between the world wars.

What is surprising is that this possibility of geographical spread of manufacturing through the operation of capitalism was held to have ceased by the time of the Second World War. In the perception of the Left and the Liberal centre, the market was seen as dominated by geopolitics and thus the hold of the dominant states on the main areas of manufacturing - in Europe and North America - would permanently prevent relocation of all but the most trivial elements of manufacturing (which would primarily be light manufacturing). Why did this view develop?

The experience of the more advanced LDCs - particularly those in Latin America - was that, under the impact of the Great Depression of the inter-war years, the prices of their raw material exports collapsed precipitately (whereas the prices of European manufactured exports did not) and they were blocked out of their main markets in Europe and North America by protectionism. The European States also assumed powers over the movement of capital. The cumulative debts and the level of servicing payments forced most of the Latin American countries to default. The only counteraction possible was to slash imports, erect barriers to import growth and to control currencies. Thus, `import substitution industrialisation' was not freely chosen as a strategy; it was forced upon governments by necessity. Furthermore, it was the politics of the dominant powers which had inflicted this damage on what are seen now as dependent economies.

A not dissimilar evolution of ideas took place in Europe and North America in the nineteen thirties. Competitive markets were displaced by the building of national (or imperial) economic fortresses (and the language of war came to dominate economic relationships). The movement of capital and finance was tightly restricted, currencies controlled, external trade regulated. An era of state capitalism, based upon external controls, large public sectors and officially encouraged cartelisation was introduced and persisted in certain respects in Europe even as late as 1960. Governments overwhelmingly stressed the need for national economic independence. Not until after 1945, when the United States, with unprecedented political and military power and a strong economic interest, began to prize open the European empires, were the first moves made towards greater liberalisation.

Thus, elements of autarky were forced upon the Latin Americans by the Great Depression and confirmed by the following period of war economies. All were dedicated to safeguarding or achieving a basis of national economic independence that supposedly corresponded to political independence. In the MDCs, it was assumed that the state and its political interest dominated and ought to dominate economies and markets. It was scarcely surprising that the newly independent former colonial possessions of Europe sought to follow exactly the same model. To do otherwise, it was thought, was to risk long term stagnation - and the experience of the nineteen thirties was there to support this proposition.

The process of the internationalisation of the world economy that had seemed so clear in 1914 (albeit divided between empires) was frustrated by war and slump. It was this unanticipated check that in part frustrated Marxist prognostications concerning world capitalism. Before 1914, economic internationalisation was taken for granted, and indeed, the idea of national economic independence was seen as both utopian and reactionary. In the debate on the national question between, on the one hand, Rosa Luxemburg and the Left (including Bukharin, Radek etc.) and, on the other, Lenin and the Bolshevik majority, neither side for a moment entertained the idea that there was any sense in national economic independence. The dispute was between Luxemburg who derived from the end of national economic independence the implication that there could be, in Europe, no political independence either so that European revolutionary national liberation now made no sense; and Lenin who argued that the one did not follow from the other :

"The domination of finance capital and of capital in general is not to be abolished by **any** reforms in the sphere of political democracy; and self-determination belongs wholly to this sphere. This domination of finance capital, however, does not in the least nullify the significance of political democracy as a freer, wider and clearer **form** of class oppression and class struggle" [12].

Furthermore, implicit in Lenin's account of imperialism [13] is an assumption of the geographical spread of manufacturing - Europe and North America were becoming Rentier or Bondholding States, while the proletariat would be concentrated in the "backward and colonial countries"; the inhabitants of the MDCs would then be reduced simply to a servicing role, setting "the seal of parasitism on the whole country which lives by the exploitation of the labour of several overseas countries and colonies". It was a theme later developed by M.N.Roy and R.Palme Dutt for India as constituting that country's economic "decolonisation"; the British were, they said, encouraging the industrialisation of their imperial possessions in order to build industrial reserves against the possibility of a working class revolution in the metropolitan country.

With the benefit of hindsight, the perspective seems bizarre. World slump and very slow rates of growth of trade along with state capitalism in Europe and North America preserved and perhaps increased the dominance of the MDCs in world manufacturing as well as finance, capital, and military capacity. In 1945, national state-managed capitalism, whether for war or peace, was taken as the norm by governments and economists. The discussions around efforts to open the European economies and establish the Bretton Woods post-war system showed the deep suspicions of Europeans that these were no more than attempts to establish American economic hegemony. Even Keynes, one of the architects of the new order, resisted the new trends - "I am, I am afraid...", one of his 1943 government memos reads,

"... a hopeless sceptic about the return to nineteenth century
laissez faire...I believe that the future lies with

(1) state trading for commodities;
(2) international cartels for necessary manufactures; and
(3) quantitative import restrictions for non-essential manufactures" [14].

If generals are always fighting the last war, Ministries of Finance and economists are always reacting to the last slump. In 1945, just as in 1918, the prognostications based upon the past were wrong. From 1947, as everyone knows, the world economy entered a phase of unprecedented and unanticipated growth that lasted for much of the following quarter of a century. As in the last half of the nineteenth century, the expansion of world trade was significantly faster than the growth of production. But this time, the heart of the growth was not inter-industry exchanges (say, raw materials for manufactured goods) but intra-industry exchanges, dominated by manufacturing (and led by the engineering and chemicals industries). Indeed, the MDCs now displaced the LDCs as the major exporters of raw materials. In manufacturing, the opening of MDC national economies began to create a single sector, with specialised parts in different countries.

The growth was so fast and lasted so long, it produced an unprecedented geographical shift in manufacturing capacity. We have seen something of this in relationship to LDCs. But, relatively, this was quite small - between 1950 and 1980, the LDC share of world gross manufacturing production (excluding the Eastern Bloc) increased from 12.7 to 17.9 per cent. More significant than this was the relative decline in the old established manufacturing powers, which seemed to continue the process of the nineteenth century shift in shares. Between 1880 and 1913, the British share of world manufacturing exports declined from 41.1 to 29.9 per cent (while the United States increased from 7.8 to 12.6, and Germany from 19.3 to 26.5 per cent). In 1948, the United States produced -in exceptional conditions of post-war economic ruin in Europe - 47 per cent of gross world production (again excluding the Eastern Bloc for lack of comparable data), and 33 per cent in 1987. In 1950, the US economy produced 76 per cent of world manufacturing output, and 28 per cent in 1979 (North America with Europe in the same period fell from 97 to 65 per cent). Even in the last fifteen years, this shift in manufacturing capacity has continued:

Value added in manufacturing (per cent of total, current dollars)

	1970	**1985**	**%Increase 1970-85**
LDCs Total	14.7	20.1	

1. Low Income	5.7	5.9	361
2. Middle Income	9.0	14.2	557
MDCs Total	85.3	79.9	336
1. Old Established	68.6	58.2	306
2. Newcomers*	16.7	21.7	426

(Excluding the Eastern Bloc)
* This is inevitably arbitrary, but includes Spain, Ireland, Finland, Italy and Japan.

In sum, newcomers - whether classed as MDCs or LDCs - have increased their share of world manufacturing capacity from 31 to 42 per cent in a mere fifteen years (ten years of which were no longer in the high growth phase of the world economy).

However, there seems to be a qualitative change in what we are calling `manufacturing'. The elaboration of linkages within manufacturing industry is such that most plants are making the raw materials, the inputs for other plants. This separation and specialisation has, as is now well-known, permitted the dispersal of plants to utilise locational advantages for a particular stage. The *World Development Report 1988* offers a picture of this internationalisation of the individual commodity in a chart showing the 15 countries which directly contribute parts to the assembly of a European Ford Escort automobile. If we had details of the second round, countries supplying the 15 with components for their output, we would find an even larger part of the world involved. Unfortunately, the level of disaggregation of world trade makes it difficult to go very far in identifying the specialisation of different manufacturing locations, let alone allowing anticipation of dynamic changes that flow from innovations both in production and transport, as well as changes in government policies and exchange rates.

The most that can be seen is the decline or increase in shares of aggregated sectors - as with Japan's current loss of labour intensive manufacturing to Thailand, Malaysia, Indonesia, relocation of middle skill manufacturing to Taiwan and Korea, and high skill to North America and Europe. Nor is there some smooth progression from one stage to another in the chain of skill intensity, a kind of queue of countries waiting to move through predetermined phases of the product cycle. Governments are continually trying to jump the queue - China exports satellites as well as textiles and garments; India computer software; Malaysia automobiles.

The development of specialised roles in the creation of a commodity has important implications for government and business behaviour. For example, the change builds into the structure of manufacture the need to keep open the borders - for the exports cannot be produced without imports. Thus, it is easily comprehensible, for example, why the major automobile manufacturers in the United States led the campaign to prevent the limitation on the import of automobile components. In the MDCs manufacturing seems to be moving towards what used to be seen as the characteristic of the LDCs, manufacture through the assembly of imported parts. Conventional government policy is accordingly more limited than in the past, for reducing imports cuts the inputs into both domestic consumption and exports. Hitherto, it has been customary for governments to regard external trade as a residual, what is left over after domestic consumption has been met. But in an integrated manufacturing economy, external transactions become fundamental to domestic activity.

IV. Internationalisation

However, the growth of manufactured exports and the integration of manufacturing industries in different countries is not necessarily the most advanced form of internationalisation in the world economy, although it is undoubtedly one of the most important ones for LDCs. Financial markets have long been more advanced in this respect, particularly with the prodigious growth of offshore markets, now of a size that places them beyond the effective management of the combined resources of the MDC governments [15]. Within that growth of a world pool of liquidity, world debt has provided powerful forces of centralisation on particular markets for individuals, companies and sovereign borrowers.

Furthermore, the liberalisation of capital movements has permitted an accelerated integration of capital structures, making it increasingly difficult to identify the nationality of larger corporations (both the criteria with which to identify nationality and the significance of nationality are in any case becoming obscure). The generalisation is too broad, for corporations stand in different relationships to the heart of nationalism, the state. The size of the US defence budget, for example, obliges a range of large corporations to relate directly - and patriotically - to the Federal Government in a way that is not true of others. The United States is in a special position in another way since it is overwhelmingly the largest market, so that all world corporations are likely to find it necessary to locate significant operations here - so all multinational corporations, regardless of origin, are obliged to be `American'.

For smaller powers, the operation of the markets seems to dilute the nationality of corporations. In Europe there is growing confusion on this question - this is illustrated in the different attitudes of the British and French Governments on whether Nissan (Britain) is a Common Market or Japanese company; the British Government agonised - and the Defence Minister resigned - over whether Westland helicopters should be `American' (owned by a consortium of companies, the two largest being registered in the United States and Italy) or `European' (another consortium, led by two companies, one registered in France and one in Germany). Should Landrover become `American' or `German'? Blessedly we were spared public agonising over whether Rowntrees Chocolate should become `Swiss' (it has become so, without notable change). The confusion illustrates some of the difficulty in seeing the state as an executive committee of the national bourgeoisie, rather than a competitor for the favours of an international bourgeoisie.

Hitherto, these processes of increased international integration have tended to affect North America and Europe, while the latecomers, Japan and the more advanced LDCs have retained a much clearer national separation. However, the remarkable appreciation of the Yen has forced companies in Japan to internationalise swiftly. In the case of manufacturing, it used to be the case that only some 3-4 per cent of the value of the manufacturing output of Japan was undertaken outside the country, compared to 18-20 per cent for the United States. Now the outflow from Japan of direct foreign investment in manufacturing has tripled in three years (45 per cent to the

United States, 20 per cent to Europe and 15 per cent to Asia). The outflow in other forms of finance has, of course, been much greater.

As noted earlier, the `Four Tigers' have also now become exporters of capital (as well as continuing to be importers). The `Four' are among the creators of new national pools of capital (and their own multinational corporations) which are likely to be increasingly significant and, again, indicate the `trickle-down' effect of capitalist growth. It is difficult to quantify this phenomenon, but the International Finance Corporation survey of the capitalisation of LDC stock exchanges offers some surrogate measures. Thus, Taiwan has become one of the top twelve stock exchanges in the world, its capitalisation now equal to over half that of London. For the thirty leading LDCs, capitalisation has grown from $95 billion in 1984 to $377.4 billion in 1988; and in terms of the volume of transactions, the total for the 30 is now equal to a sixth of Tokyo's [16].

There are other components of internationalisation where integration is slower. In the field of labour, as we noted earlier, the `Four Tigers' have, under the impact of labour scarcities, begun to attract legal and illegal immigration, a key sign of `maturity'. At the opposite extreme, the cities of the United States in general, and California in particular, lead the rest of the world in the remarkable cosmopolitanisation of the workforce. One of the continuing strengths of the United States capitalism, in contrast to Japan and Europe, is its recruitment of labour from the rest of the world, from the highest to the lowest levels of skill.

In the case of import controls, governments are economically motivated to permit free entry, while politically obliged to cheat on the rules to a greater or lesser extent. With immigration, it is the reverse - the rules imply tight control and this is popularly supposed to represent political wisdom, while the practice allows, to a greater or lesser extent, systematic cheating. The contradictions, however, appear stark. Hong Kong, with an officially estimated labour shortage of 130,000 workers is nonetheless simultaneously moving towards the compulsory repatriation of Vietnamese boat-people. Singapore's growth depends upon an inflow of unskilled immigrants (in construction, domestic service, hotels and restaurants), yet it treats unskilled immigrants most harshly and is currently threatening illegal immigrants with whipping and expulsion. Japan, with a currently estimated 200,000 or so illegal immigrants, is officially opposed to immigration. However, the demographic reshaping of the Japanese population will make for a considerable labour scarcity, particularly in the young and unskilled categories, so that it will hardly be possible to operate the Japanese economy after the year 2,000 without some form of immigration.

In fact, the ageing of the populations of the MDCs collides with existing immigration regulations. Most governments are expecting a decline in the active labour force, and a sharp decline in the young worker group, while aged dependents expand. This simultaneously affects the labour force in standard manufacturing and in low-paid services (including those provided for the aged), as well as the activity rates required to meet the increased burden of pensions for an enlarged retired population. This would suggest a number of reforms; for example, lengthening the working life and the continued export of manufacturing capacity to LDCs (or increased imports). But there still remains a component of the labour force which cannot be substituted - from the armed forces, construction to services. This would suggest MDC governments will be obliged to liberalise immigration controls.

Access to services with low labour costs can be obtained in other forms of internationalisation. It may become possible for more parts of the LDCs to become, like Florida, a location for the retired (this already occurs to some extent). The international tourist trade, now one of the largest earners of foreign exchange in the LDCs, can be seen as also a means to secure access to cheap services. Of course, all these sectors of activity collide directly with the old idea of national independence and conjure images of subordination and indignity. However, in economic terms, they also represent - albeit on a very unequal basis - the redistribution of economic activity, tending, even if under very limited circumstances, towards the greater equalisation of income.

Thus, while one can easily identify powerful political pressures to restore the old form of economic nationalism in the MDCs, there appear to me to be strong structural features that not only resist this, but continue to impel the world system towards greater integration. Short of generalised collapse, the reactions to the Great Depression - separating out economically distinct national or imperial economies from the world system - is unlikely to be repeated (which is not to say there cannot be a major slump). This means that the opportunity for a redistribution of manufacturing towards the LDCs has a reasonable chance of continuing, and while this may not entail in conditions of slow world growth, in such dramatic cases as South Korea, it does provide a perspective for the growth of capitalism in those LDCs able to participate in the trend.

In sum, the economic promise of capitalism may still not have been exhausted.

V. Explanations

What were and are some of the factors which encouraged the geographical spread of certain subsectors of manufacturing capacity to LDCs? One of the obvious features was the break-up of empire and its enforced economic disciplines. An unprecedented number of new states were created, securing the political autonomy which is a precondition for most governments to manage their economies. Many made major attempts at improving the skills of the labour force (the literacy rate of LDCs improved from 33 per cent in 1950 to 50 per cent in 1979) and building an appropriate infrastructure (power, water, drainage, irrigation, highways, sea and air terminals etc.). The achievements have been astonishing. Never before have such enormous improvements been made so rapidly as those undertaken by the independent governments of the LDCs (achievements which are starkly contrasted with those of the imperial period).

Furthermore, the physical condition of the LDC populations has also been remarkably improved. While a significant proportion may have experienced no improvement, and some, a deterioration, for the majority the changes were sufficiently radical to make for dramatic changes in the figures for the average expectation of life at birth, one of the most sensitive indices of, among other things, protein intake.

Many of these three changes - in skills, in infrastructure and in physical health - were concentrated in particular localities, cities or regions, thus implying higher standards in these localities than the average. Accordingly, some of the conditions were achieved for attaining the same (or even better) levels of labour productivity in the LDCs as in the MDCs. Simultaneously, many governments were making great efforts to industrialise, based in the seventies on rising levels of domestic savings (as opposed to an inflow of foreign capital).

These changes were the results, in part, of government action. But there were other important factors that occurred independently of governments. Thus, the costs of transport and communications fell rapidly. The importance of this was enhanced by innovations in transport equipment, reducing fuel consumption and so the cost of moving freight. This effect was increased by the sustained efforts to reduce the average weight of goods moved (particularly by the continuous reduction in the use of steel per unit of output). As movement became cheaper, less hazardous and speedier, the possibility of spreading the geographical location of manufacturing plants grew, initially for goods of low weight and high value. By now, transport economies have radically transformed stock policies, allowing for the `just-in-time' system.

There have also been - as discussed earlier - important changes in breaking down the protectionism of the MDCs. The decline in economic borders between the dominant powers allowed for a new pattern of specialisation between them, creating a single interdependent manufacturing economy. The minority of LDCs with the industrial capacity - and the social orders - able to exploit this new structure of demand, were the incidental beneficiaries, a position enhanced by special rights, bilateral treaties, a general system of preferences etc.. Indeed, the United States - and to a lesser extent, Europe - encouraged part processing abroad of domestically-manufactured products (in the case of the United States, under tariffs 806.3 and 807).

However, many of these factors would have facilitated the redistribution of manufacturing capacity, but without causing it. For that we must assume not only general growth in the world system, but a change in the structure of demand. This possibly arose out of the growing shortages of supply in labour-intensive sectors of manufacturing within the MDCs. Buyers from Europe were driven to search out new sources of, initially, garments. Hong Kong, completely open to external demand changes, responded and was driven into the process of self-transformation. The other three of the `Four' then copied Hong Kong through deliberate state intervention. The state-directed process of the three shaped the growth to expand disproportionately heavy industry, to build an old-style `national' economy, rather than emulate Hong Kong's narrow range of specialisations.

The 1950's were crucial for this transition. It was then that, in Europe, the impact of rapid growth transformed the demand for labour. The agricultural work force was swiftly drawn into non-agricultural activity. The period saw the beginning of the swift transfer of married women from household activity to paid employment. And it was also the beginning of the drawing-in of migrant workers from abroad. The geographical catchment area of the European labour market extended outwards from the core of the `Golden Triangle' (Amsterdam-Cologne-Paris) to southern Europe (Italy, Spain, Portugal, Yugoslavia), to North Africa and the East Mediterranean (Algeria, Tunisia, Morocco, Greece and Turkey), and even further into West Africa and the Middle East. Sweden drew workers from Finland, and then southern Europe. Even slow-growing Britain recruited from its former colonies. Thus, the first impact of internationalisation in the current period was felt in the supply of semi- and unskilled labour (the classifications imposed at the destinations, not at the sources, of migration). The search for highly skilled labour (the `brain drain') was, from early on, from a global rather than geographically-restricted area of recruitment.

The drawing-in of new workers to labour intensive sectors of production in the MDCs - agriculture, mining, construction, some services, and later, assembly industries - appears as precipitated by the same forces which impelled MDC buyers and manufacturers to search out new sources of manufacturing abroad. The possibility of low-cost locations in turn stimulated the technical and managerial innovations to divide processes between labour and skill-intensive locations. So profitable did this reorganisation become that it was not deflected by the return of high unemployment to the MDCs in the late sixties. The expected wage in the MDCs, appropriate to the education and skills of the labour force, made it uneconomic to restore the old forms of manufacturing.

By the 1970's, the MDCs had become locked in a process that, I believe, can no longer be reversed. Despite slump and stagnation, the system has remained relatively open, in contrast to the years of the Great Depression. Furthermore, integration has increased in the period of slow growth. The new structure is not stable in detail. Competition can continue to change the advantages of particular locations, and this is especially important where the time period of the turnover of capital is high (so companies can relocate frequently). The relative advantage of different countries can quickly change, returning some segments of manufacturing from LDCs to MDCs, but this does not now affect the structure as a whole. Furthermore, the process is very far from complete. For example, much of the labour force of India, China, Bangladesh, Indonesia and Pakistan are not engaged in the process (this is *not* to say that they are outside capitalism, however). If they became so, this could change profoundly the relative pricing of the factors of production on a world scale, and thereby the nature of the world's appropriate technology.

The change in the structure of world demand does not, of course, explain why some countries rather than others were able to exploit the process to achieve domestic self-transformation (although the role of Hong Kong as the only completely open economy in the world in the nineteen fifties must be significant - it is the first straw in the wind). But the question as to which countries were able to respond has to take for granted the change in external demand which is a factor of much greater significance for the world as a whole. It is this change, I believe, which has transformed not only economies but economics, shifting the concerns of theorists from the problems of managing national economies to operating in an open world market. It has even more dramatically transformed policy, to a greater or lesser degree, in all countries. Indeed, probably never before in the history of capitalism has the open world market been of such obsessive concern to governments. The scaffolding of public power is being removed and economic independence, as an aim of governments, is fading.

VI. Three Incidental Observations

One of the implications of the preceding account is that the post-war changes make the past criteria for assessing the power of states slightly suspect. There might thus be grounds for scepticism about, for example, the view that the United States is in relative decline as measured by the share of world manufacturing which is undertaken within American borders. By another measure, American power has grown. For example, while the process of growth in the more advanced LDCs has *not* been spearheaded by multinational corporations, nor primarily by the import of capital from the MDCs (the movement of this capital and of multinational corporations to these countries is the response to growth rather than the cause of it), nonetheless the growth is a response to market demand in the MDCs. Furthermore, the economic wrecking of many LDC economies in the crises of the seventies and eighties has made this dependence for growth even greater than before. In Table 4, only five of the 24 largest LDC exporters of manufactured goods have experienced a decline in the share of exports going to MDCs.

The category of MDC is misleading since in this case it conceals the fact that the key markets are in the United States and, to a lesser extent, Japan and Australia. In the case of the United States, the leading LDC exporters supply between 20 and 28 per cent of total manufactured imports, compared to 4.9 per cent in 1964 (an average annual rate of increase of 26 per cent). In the mid-eighties, the United States took a third of the manufacturing output of the LDCs and 60 per cent of their manufactured exports (at the same time, the LDCs took forty per cent of US manufactured exports [17]). For Japan, imports from the leading LDCs accounted for 18 per cent of all manufactured imports, as against 1.6 per cent in 1964 (an annual increase of 28.7 per cent). In key sectors, the proportions are much larger.

Furthermore, as we have seen earlier, the technical intensity of these imports is increasing. If we take this factor relative to the imports of the leading LDCs to the OECD group as a whole, then the imports can be divided accordingly:

`Skill intensity' (%):	High	Medium	Low	Total
1964	2.2	15.9	81.6	100
1985	25.0	21.6	53.2	100

Of course, total manufactured imports from the leading LDCs as a proportion of total domestic supply in the OECD group remain still very small - two per cent and 2.6 per cent for the United States.

US manufactured imports are now equal to roughly a third of the manufactured output of the country (manufactured exports are equal to a fifth). Much of these imports are not a direct supply to retail consumption, but are inputs to domestic manufacture. Figures are not available to separate this component from the rest as a measure of American integration in international manufacturing processes. However, there are figures for imports under tariff schedules 806.30 and 807.00, commodities which start their manufacture in the United States, are processed abroad and then return for completion there. Imports there grew consistently faster than imports in general during the seventies, and rose from 9 to 10 per cent of total imports in the early eighties to 17 per cent in 1987 (while general imports grew by 24 per cent, items under these two schedules grew by 140 per cent). Some ninety per cent of the imports concerned came from Canada, Japan and Mexico, but there was also important items imported from Europe, East and South-East Asia [18].

Thus, it can be argued that the United States is emerging as the vital centrepiece of a global economy, more fully internationalised than any of its leading rivals and mediating the growth of both the Pacific and Atlantic economies (and Europe still remains a very important export market for the United States - $76 billion in 1988, or double Japan's purchases from the United States - and US-registered companies in Europe sell goods worth some $450 billion annually). While opinion focuses on what is seen as the negative aspects of current growth - a dependence upon an inflow of funds to compensate for a low rate of domestic savings, the trade and budget deficits - the reverse is also true. The world depends overwhelmingly upon the United States both in trade and finance.

Even in conventional terms, the picture is often distorted by national egotism. Despite all the complaints, US companies have continued to acquire assets in Europe and Japan at a significantly higher rate than the acquisition of assets in the United States by foreign companies [19].

The second observation concerns the method of analysis of the emerging world order. Frequently, commentators seem to take for granted the existence of clearcut national entities, combining a State - with military, political and economic power - a discrete segment of world capital with an unambiguous loyalty to the state, a share of the world's territory and population. This complex is fused into a reasonably self-evident national interest, which confronts unequivocally a clearcut set of foreign interests. Writers speak of the national entity being `inserted' into the world market (and, no less suspiciously, of the world market `penetrating' the domestic economy), as if the two sides were distinct and unproblematic. So it must seem from the slit trench of the competing national governments, but outside this narrow world, more scepticism is appropriate.

With the integration of capital, markets and production, alliances of the competitors increasingly cut across national demarcations. Robinson [20] in his study of Indonesia's ruling order, has interestingly identified a series of competing clusters of interests combining a section of the military (with its own industrial interests), parts of the central bureaucracy, some public corporations, some private Chinese capital (with different networks abroad), supported by different foreign aid programmes and particular foreign multinationals. The contest over different strategies involved different clusters, cutting across the national/foreign divide. Thus, in the late sixties, the public oil corporation, Pertamina (under Ibn Sutowo), with Krakatau Steel, provided the focus for a cluster of interests strongly promoting an import-substitution industrialisation strategy based upon a heavy industry programme and associated with Japanese interests, some private and official. Its opponents, dominated by importing and trading interests, fought for a `free trade' alternative, with support from different parts of the military and civil bureaucracy, other public corporations, some US interests, again both public and some private (although it is also possible that US heavy industry interests would support the first alternative), as well as the World Bank and International Monetary Fund. The buoyancy of oil prices gave the Government sufficient autonomy to back the Pertamina strategy - so patronising the interests of one cluster - while in the eighties, the decline in oil revenues forced compromises which favoured the alternative. Thus, the method has the merit of disaggregating the blunt concepts of `the state', `the private sector', `the multinationals' and so on, to show dynamic coalitions related to different power and profit interests. Robison also shows how, at crucial moments, outside forces are recruited to strengthen a case - as when students were mobilised to demonstrate against the visit of Japanese Prime Minister Tanaka.

Indonesia is not at all a model for all LDCs, let alone countries. But the method does cut across the nationalist assumptions which, I believe, are increasingly misleading in analysis.

The third observation is that an integrated world manufacturing economy not only leads to the rapid growth of the urban working classes in the LDCs but also to some measure of synchronisation in the rhythms of class struggle. Between late 1973 and 1976, an unprecedented number of worker struggles occurred. National strike rates ran at record levels in many countries (in particular, in Italy, Australia, India, the United States, Ireland, Britain, Japan, West Germany and Norway). In terms of the average days lost in disputes in industry per 1,000 employed, for the fourteen largest MDCs, the figure rose from 450 (1964-66) to 611 (1967-71) to 687 (1972-76). In Myanmar (Burma), Malaysia, Jamaica and in southern Africa, there were bloody skirmishes between workers and defenders. In Nigeria, there was a public sector general strike. In Thailand, a general strike led to the overthrow of the military regime (annual man days lost in disputes, running at below 18-20,000 between 1956 and 1972, rose to half a million in 1972 and nearly three quarters of a million in 1974). In Chile, a revolution was destroyed; in Portugal, it was bought off.

In the years that have followed, the synchronisation has grown weaker, but there have still been major worker confrontations - notably in Brazil, in Iran in Khomeini's ascent to power, in India, in Korea (in 1980 and 1987-88), in Indonesia (in 1979). The old mole continues to rise from the depths from time to time, and the more successful capitalism is, the more frequent those appearances.

At each stage, most of the movements in LDCs were interwoven with peasant and national struggles, usually with important student participation. It would be quite wrong to suggest that the scene was monopolised by workers. Indeed, quickening of the tempo of growth - as in India - can produce an increase in that appalling mixture of national-caste-religious-communal and worker struggles which characterises some of the more endemic fissures in the social structure (as in Gujerat and Assam in recent years). The only point relevant here is not to present a political alternative, but merely to indicate that the continued growth of the system is transforming the world social structure and the potential political alternatives. History is very far from over.

VII. Prospects

What are the prospects for the continued redistribution of manufacturing to the LDCs? I have argued earlier that the emerging structure of world trade would not seem to present *economic* obstacles to continuation. Of course, this does not mean that all LDCs have equal means to participate. Many countries have been severely damaged in the period of slow growth in the seventies and eighties - most notoriously in Sub Saharan Africa where the severity of conditions can encourage only pessimism. Many of these countries have scarcely enough capacity to keep going - and to keep famine at bay - let alone inculcate the disciplines required to develop manufactured exports. Their vulnerability to external changes is extreme.

However, the possibility of continued growth of manufacturing for the more advanced LDCs is qualified. The integration of the system, the removal, as it were, of the economic shock absorbers of the state, means increased synchronisation of major fluctuations. Thus, a severe slump in the MDCs could not easily be offset in the LDCs (as, in part, happened for the Latin American countries after the Great Depression). The great growth of the LDC exporters of manufactured goods in the eighties depended, as we noted in the last section, on the growth of the US market. There are doubts here as to whether this growth can continue, and Europe seems unlikely to make up any American decline. Furthermore, the present debts of the US government add an element of instability to the situation; a financial crash here would be very damaging for the LDCs.

Debt has also been seen as a problem affecting the possibility of continued growth of manufacturing. Certainly, cumulative debts severely affect the prospects of growth by pre-empting a major part of export revenue and acting as a generally deflationary force. In the eighties, Latin American countries have transferred some $200 billion dollars to banks and governments in MDCs (without the debt servicing, an important part of this sum would otherwise have been used to purchase US exports; between 1980 and 1983, US exports to Latin America fell from $39 to $26 billion, affecting three quarters of a million American jobs). As Nyerere recently observed with reference to Africa, little progress is conceivable until Africa is relieved of financing the rest of the world.

However, in Latin America, the debt could have been absorbed more easily if it had not coincided with a series of other blows - declining raw material prices (including the price of oil for Mexico, Venezuela, Ecuador etc.), an appreciating dollar in the early eighties (affecting dollar-denominated debt), and rising interest rates. It is miraculous, given the record in the thirties, that despite the contraction of domestic incomes, employment and consumption, even this has been absorbed. Furthermore, the relative burden of debt (the ratio of debt servicing payments to export revenue) has fallen for those countries not exporting oil (by an eighth for the most indebted); thus Brazil's ratio declined from 52 per cent in 1982 to 31 per cent in 1986. Both the depreciation in the dollar, lower interest rates and revived commodity prices helped here.

However, in terms of the theme here, contraction or stagnation in domestic markets need not affect the possibility of continued redistribution of manufacturing. Mexico provides a good example of this, for, along with slump in the domestic economy, there has been very rapid growth of manufacturing capacity on the border with the United States (employment increased from some 120,000 in the early eighties to possibly 350,000 now). Indeed, it was precisely the effect of the 1982 conjuncture and cumulative debt which forced a devaluation of the peso. This led to a radical reduction in the dollar value of wages on the border - in hourly terms, from $1.42 in 1980 to 0.88 cents in 1986 - so leading to a rapid increase in employment.

Some observers have argued that competition from the new LDC manufacturers has forced MDC rivals to innovate to match their cost advantages. Capital intensive - even automated - production, it was said in the early eighties, was then capable of matching LDC costs, even in garments. However, the growth of LDC manufacturing (including garments) does not seem to have been affected so far (nor has the rate of growth of US imports slackened). Rather has there been a new marriage of automated fabric cutting in the US with sewing in south-east Asia (so that the US value added as a proportion of the total value for garment imports under tariffs 806 and 807 is the highest for all commodities: 54-69 per cent).

Others suggest that the development of `economies of scope', the production of tailor-made advanced manufactured goods, with great speed of change in the production cycle, will restore the comparative advantage of the MDCs. However, the LDC share of manufacturing supply is still small and would not seem to be affected by this change which will be, at least initially, in the upper end of the market. Furthermore, tailor-made production will almost certainly depend on some standardised components, which will permit new combinations between MDC and LDC manufacturing. Nor are the pricing results of innovations yet clear -how far increased capital costs of automated production will outweigh the advantages of low labour costs. Finally, as we have seen, LDC capital may also move to markets in MDCs, and MDC production may move to the newly emerging markets in the more advanced LDCs.

Without generalised slump ending the process, the real question marks concern the political and social orders rather than economic circumstances. The process of growth has produced, as discussed in the last section, new and politically significant working classes that have begun to exercise some influence on events. The willingness to accept the extraordinarily harsh conditions of labour that the growth of manufacturing has hitherto required cannot be taken for granted. Secondly, the emergence of a world labour market - with wages tending in certain sectors to become more uniform between countries - forces groups of workers in many different locations to compete for work. The downward pressures on wages could be severe, particularly for unskilled labour, giving employers a major increase in bargaining power. The world's trade unions are ill-equipped to get themselves organised in an international context in the face of the opposition of governments.

The issue affects all countries that participate in the manufacture of the same commodities. The emergence of sizeable black economies in the MDCs - particularly in Italy, where it is known as the `Third World' economy - is a possible sign of this downward pressure on wages in the MDCs, a measure of homogenisation between labour conditions for certain forms of production in More and Less Developed Countries. The gruelling character of the labour regime this entails then raises questions concerning the stability of the social orders presiding over the process. The splendid struggles in South Korea in 1987 - the speed and extent as well as the militancy - is vivid demonstration of the pent-up frustrations that flow from enforced growth. Thus, class conflict could be engendered on a much larger scale as the result of the spread of manufacturing, particularly where the state uses its power to deliberately underprice labour.

How far will protectionism in the MDCs affect the continued spread of manufacturing? It is by far the easiest method of explaining unemployment and the need to hold down wages to blame foreigners rather than the incompetence of native employers. Political support is relatively painlessly secured by restricting imports, even where this damages the welfare of the mass of the population and those sectors of manufacturing which use the banned imports, as well as protecting uncompetitive segments of manufacturing. Often protectionism is introduced slowly, as a kind of creeping paralysis, without clearcut decisions being taken. Thus, between 1981 and 1985, some 35-40 per cent of Korea's exports came under restrictions of various sorts. LDC exports are particularly vulnerable because they are concentrated in a fairly narrow and highly visible range of goods, and the countries concerned have relatively little bargaining power.

The period of the Reagan administration saw the biggest increase in protectionism in the United States since the time of Herbert Hoover. Import controls were used as a means to offset the effects of the other policies of the Federal Government which radically cheapened imports. One estimate suggests that a quarter of US imports are now affected, as compared to half this at the beginning of the administration. About 40 per cent of Japan's exports to the US are now affected (cutting, it is said, US imports from Japan by $6 billion in 1986).

There are thus well-founded reasons to fear that the current round of trade negotiations in Uruguay may fail, particularly on the issue of agriculture and services. In agriculture the most severe damage is done to the poorer LDCs by the Common Market dumping of subsidised exports abroad, and the United States, applying quotas on imports to protect domestic producers - for example, by radically cutting imports of sugar from the Caribbean. There are other fears that 1992 in Europe, the US-Canada Free Trade Agreement, or ideas of an East Asian economic federation, will increase the general protectionism in world trade.

However, while it would be wrong to underestimate these threats, there are grounds for limited optimism. Protectionism so far has not apparently reduced US imports significantly nor prevented very high growth of manufactured exports by a number of LDCs over the past three years. Where LDC exports have been affected is in forcing exporters, for example, under the Multi Fibre Arrangement, to increase the value of garment exports while remaining within the physical limits, and so enhancing profits (at the expense of US consumers), and making room in the market for new lower-cost exporting countries. Other exporters have spread capacity to countries not currently restricted. Even where both these mechanisms cannot be employed, reclassifying imports and even smuggling them have been means to escape controls. It is not clear how far governments can control systematically imports in an integrated system, except through a blanket control on all imports.

More generally, MDC markets and manufacturing output are dependent upon imports, so that cuts directly affect current output, and reduce MDC employment, particularly so in the United States. Furthermore, some of the pressure has been relieved by the retooling of affected industries - for example, steel and automobiles - and their return to profitability. None of this affects the protection of agriculture, however, and the prospects for this being overcome in the Uruguay Round are not hopeful. One result is to discourage agricultural exports from LDCs and increase the pressure for them to expand manufacturing.

As for the conception of protectionist regions, it is still the case that the major trading and financing powers are too heavily interlocked into each others' markets to risk general trade wars. Japan, the United States and Europe are overwhelmingly interdependent, and any attempt by one to isolate itself economically from the other two would produce catastrophic consequences for all three. Short of collapse - in which case protectionism is only one of many problems - the three major participants still have a powerful interest in keeping the system open, thus safeguarding the niches occupied by LDCs.

VIII. Conclusions

The theories which guide the economic policies of government take their shape from the experience of the past. Thus, the policies of LDC governments in the forties and fifties were powerfully affected by a version of the nineteenth century and the effects of the Great Depression. The imperial powers, it was said, had forced upon a major part of the globe the task of supplying European manufacturing industry with raw materials, based upon the dominant position of metropolitan capital, enforced by metropolitan armies and with markedly asymmetrical gains from the relationship. The Great Depression then exposed the vulnerability of raw material exporters to MDC government action to cut imports and capital exports. From this was derived first, a condemnation of monoculture which spread to include all specialisation; opposition to `capitalism' - that is, international trade and foreign capital; and attempts to build a fully diversified industrial economy, based upon the growth of the domestic market, as the foundation of an economic independence which would parallel political sovereignty. Around this set of imperatives, networks of interests grew up, a capitalism dependent not upon external `centres' so much as the local state.

However, meanwhile, the system transformed itself again. The MDCs became the major exporters of raw materials. Metropolitan capital was concentrated in the MDCs. But Hong Kong stumbled upon a change in the structure of world demand that led to swift industrialisation. And the three other `Little Tigers' then exploited this lesson to implement part of the old programme of economic independence (a diversified economy with a heavy industrial base). They did so, not through the domestic, but through the international market - but with import-substitution continuing to protect their domestic markets. This eclectic formula relied entirely on the change in world demand. The gamble paid off. Probably one of the most striking indices of its success is in the increase in real wages and thereby, the average level of protein consumption - 14-year old Korean boys have added 11 centimetres to their average height since 1965.

The economic formula - leaving aside the much more difficult social and political preconditions - seemed in retrospect much simpler than was expected: an undervalued exchange rate, cheap labour, some manufacturing base, inputs into exports that were either subsidised or obtained from the cheapest world source, adequate infrastructure and a responsive bureaucracy. That is with the benefit of hindsight - Park and his associates were quite pessimistic about exports in the early sixties, and genuinely surprised at their success.

Now with much more erratic rates of change in world trade, debts and protectionism, it is more difficult. For many countries, particularly some of those in Sub Saharan Africa, the strategy seems ruled out by the lack of a manufacturing base and the means to make one. But it is still possible as is demonstrated by some of the newcomers who began the process in the eighties (for example, Mauritius). The overall case now no longer depends upon the fortunes of the Gang of Four.

The success of the `Four' turned upon world demand at a particular historical moment. It is for this reason that both the neoclassical and Left-Liberal accounts do not satisfactorily explain the process of growth and tend to swing between what are supposedly exclusive options - import-substitution or export-promotion. The key for Korea was the opportunistic mix, quite a lot of luck and a favourable world demand.

Of course, none of the successes in the task of economic development imply that capitalism has suddenly become harmonious, without uneven development. Only that, for example, Baran's assessment [21] that capitalism was no longer capable of the development of an underdeveloped country is wrong in at least some important cases.

The success does not mean the Newly Industrialising Countries offer a means to resume the growth of the world economy of 1947 to 1974. The newcomers are still too small to affect world profit rates.

The world is still marked by great inequality between states. Some have a privileged access to a disproportionate share of the surplus generated in the world system, and with it are able to bribe, bully and threaten to achieve their purposes. But the more developed they are, the less economic independence from the world system they possess. Indeed, the concept seems today utopian. With the benefit of hindsight, we can see that programmes of import-substitution industrialisation which, it was thought, would create economic independence, were in fact a prelude to re-incorporation at a more advanced stage, whether achieved by deliberate policy choice or by force, through the debt mechanism. The mercantilist phase which seems always to be the policy framework for the first phases of national industrialisation, was not a means to avoid capitalism, but to build it.

The `geopoliticisation' of the world market seemed so self-evident in the rise of imperialism and in the first half of the twentieth century. The economic seemed always subordinate to the political, the market to the state, the world to Washington. It led the Left astray, marrying its purposes to the struggle to achieve and defend the national independence of the new ruling orders of the former imperial possessions. But the process of capital accumulation on a world scale was not the creature of particular states nor particular institutions (the multinational corporations, the IMF, etc.). The moment capitalism resumed growth, the market re-emerged as the dominant force, reshaping the world in quite unanticipated ways. Recognising the change is the first step to rebuilding an effective critique.

NOTES

1.In 1950, South Korea's per capita income was $146 (in 1974 prices), compared to Nigeria's 150, Kenya's 129, Egypt's 203, Brazil's 373, Mexico's 562, Argentina's 907. If we compare an index for these figures (Argentina = 100) and compare it to per capita gross national product (current prices) in 1986, this is the result:

	1950	**1986**		**1950**	**1986**
Argentina	100	100	**Egypt**	22	32
Mexico	62	79	**Nigeria**	17	27
Brazil	41	77	**Kenya**	14	13
S.Korea	16	101			

2.Jagdish Bhagwati, with Anne Kreuger, Exchange control, liberalization and economic development, in: *Dependence and Interdependence, Essays in Development Economics*, Jagdish Bhagwati, edited by Gene Grossman, Basil Blackwell Publishers, Oxford, 1985, Vol.2, p.70.

3.In Hong Kong, the leading business federation estimates a labour shortage of between 200 and 250,000 workers, particularly the unskilled for work in construction, hotels, services, manufacturing and retailing. The government estimates a shortage of 130,000 workers, 10,000 of them in the technician and skilled grades.

Singapore has drawn in an unknown number of illegal immigrants which it is now busy trying to expel.

The South Korean Government is worried at the medium-term decline in young workers. The Taiwanese authorities estimate illegal immigration, particularly the unskilled and from south east Asia, at between 12 and 30,000.

4.Hong Kong firms are said now to employ 1.5 million workers in China's Guangdong province (where a third of Hong Kong's currency circulates).

South Korea's 1988 overseas investment was officially put at $480 million (48 per cent going to the United States). The outflow is partly the result of a 25 per cent appreciation of the Won and the investment has gone in part to develop capacity in the manufacture of textiles and garments, footwear, toys etc. in Thailand, Malaysia, Mexico and the Caribbean.

Taiwan's direct investment abroad increased 81 per cent in 1988. Officially, the flow was put at $218.7 million, but estimates at the destinations, put the real figure at between $2.2 and 3.5 billion. Again, it is partly the result of a 40 to 45 per cent appreciation in the New Taiwan dollar. Thailand is a favoured destination, along with the Philippines and other locations in south east Asia.

5.The experience and causes of rapid labour-intensive development in Korea, Taiwan, Hong Kong and Singapore, and the possibilities of emulation. In: Eddy Lee (Ed.), *Export-led industrialisation and development*, ILO(ARTEP), Bangkok, 1981, p.25.

6.Dependency theorists examine the east Asian experience in: Frederic C. Deyo, *The Political Economy of the New Asian Industrialism*, Cornell University Press, Ithaca and London, 1987.

7.See A Global Manufacturing System, in my *The End of the Third World: Newly Industrialising Countries and the Decline of an Ideology*, Taurus, 1986, pp.93-117.

8.Table 7, GATT, *International Trade 1987-88*, General Agreement on Trade and Tariffs, Geneva, 1988, Vol.1, p.12.

9.David Morawetz, *Why the Emperor's New Clothes were not made in Colombia*, World Bank Staff Working Paper, World Bank, Washington, 1982.

10.Celso Furtado, *The Economic Growth of Brazil: a Survey from Colonial Times*, University of California, Los Angeles and Berkely, 1971.

11.John K. Chang, *Industrial Development in Pre-Communist China: a Quantitative Analysis*, Aldine Publishing Co., Chicago, 1969.

12.*Collected Works of V.I. Lenin*, p.145.12.

13.*Imperialism: The Highest Stage of Capitalism*, in Selected Works of V.I. Lenin, V, London 1936, p.92.

14.R.F. Harrod, *The Life of John Maynard Keynes*, Harcourt Brace, New York, 1951, pp.567-568.

15.Discussed in greater detail in my *Of Bread and Guns: The World Economy in Crisis*, Penguin, London, 1983.

16.*Emerging Stock Markets: Fact Book 1989*, International Finance Corporation, Washington D.C., 1989.

17.*Hard Bargaining Ahead: Trade Policy and Developing Countries*, edited by Ernest H. Preeg, Overseas Development Council, Transaction Books, New Brunswick, 1985, p.xi.

18.The growth figures are exaggerated by the introduction of the Customs User Fee in Dec. 1986, leading to the transfer of formerly duty-free goods to these schedules. See US International Trade Commission, *Imports under Items 806.30 and 807.00 of the Tariff Schedules of the United States, 1984-87*, Annual, ITC, Washington D.C., Dec. 1988.

19.The stock of direct investment by US-registered companies in Europe increased from about $70 billion in 1984 to $122 billion in 1987.

20.Richard Robinson, *Indonesia: The Rise of Capital*, Allen and Unwin, London and Sydney, 1986. See also his Authoritarian States, Capital-Owning Classes and the Politics of Newly Industrializing Countries: The Case of Indonesia, *World Politics*, XLI/1, Oct. 1988, pp.52-74.

21.*The Political Economy of Growth*, Monthly Review Press, New York, 1957.